

AR21

# ANNUAL REPORT

## 1974

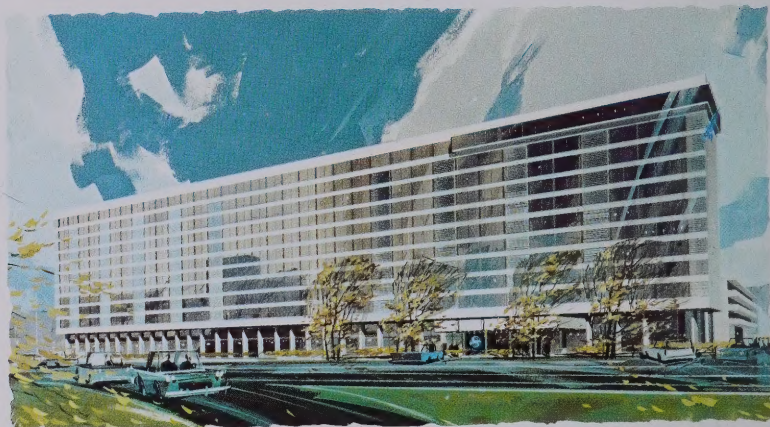


SKYLINE HOTELS LIMITED



# SKYLINE

## THE HOTELS PEOPLE LIKE TO COME BACK TO



SKYLINE TORONTO, CANADA



SKYLINE BROCKVILLE, CANADA



SKYLINE LONDON, ENGLAND



SKYLINE OTTAWA, CANADA



SKYLINE PARK TOWER, LONDON, ENGLAND



SKYLINE SOUTH OCEAN BEACH  
HOTEL & GOLF CLUB, NASSAU



SKYLINE MONTREAL, CANADA



OLD MILL, TORONTO, CANADA



SKYLINE

*The Canadian Chain*  
*La chaîne canadienne*

AR21

SKYLINE HOTELS  
LIMITED

OPERATING RESULTS  
FIRST HALF REPORT

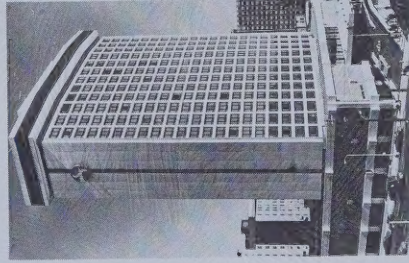
1974



THE OLD MILL — TORONTO — A SKYLINE OPERATION



SKYLINE TORONTO, CANADA



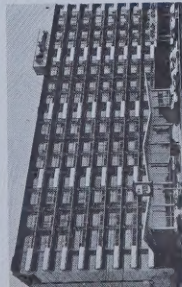
SKYLINE OTTAWA



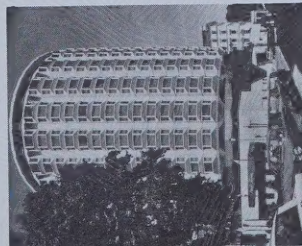
SKYLINE LONDON  
(AT HEATHROW), ENGLAND



EL PANAMA SKYLINE  
PANAMA, R.P.



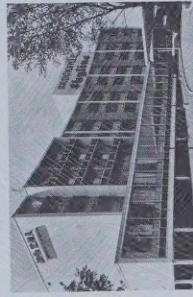
SKYLINE MONTREAL



SKYLINE PARK TOWER  
LONDON, ENGLAND



SKYLINE KINGSTON,  
JAMAICA



SKYLINE BROCKVILLE



# PRESIDENT'S REPORT TO THE SHAREHOLDERS

In reporting to you the results of your company for the first six months of 1974, you will note your net earnings and cash flow has increased over the same period in 1973. However, there is a pertinent fact which you cannot read from the enclosed results which I feel I should take this opportunity to explain.

Your Canadian hotel operation increased its profits just under a hundred percent. When consolidated with the international operation in England the latter negatively affects the overall company results. As I am sure you are aware the economy in England, particularly during the months of January, February, March and April due to the energy shortages and severe labour situations, caused us a considerable problem and a substantial loss. However, despite the economy on the whole not improving that much, the hotel industry is returning to a reasonable level and the outlook for the balance of the year is much brighter.

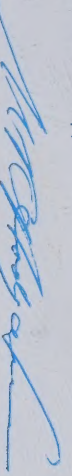
The policy of your company in the past has been one of continuing selective and reasonably aggressive expansion. It has been my recommendation to your Board of Directors that expansion, except for one or two proposed locations, become secondary in the next twelve months to devoting our major efforts towards obtaining a more efficient and economical operation, resulting in higher profits from our existing hotels.

In the past six months, your company has expended a large sum of money in the renovation of all its hotels. The Toronto Tower extension will open the first week of September and this in itself comprises in size to a medium sized hotel. The income from this property will come on stream during the third and fourth quarters.

As I mentioned earlier, with the Canadian properties on or above our forecast and with what, we hope, will be an improved English situation, I am still quite confident that your company profits for the year 1974 will show a marked improvement over the previous period and will set a new high for us.

May I thank you for your continued support, I remain

Yours truly,



W.R. Hodgson,  
President.

## SKYLINE HOTELS LIMITED

### CONSOLIDATED STATEMENT OF EARNINGS FOR SIX MONTHS ENDED JUNE 30, 1974 (With 1973 Comparisons)

#### FIRST HALF EARNINGS

	1974	1973
REVENUE	\$14,340,678	\$13,054,517
COST OF SALES AND OPERATING EXPENSES	12,277,385	11,052,505
EARNINGS BEFORE THE UNDERNOTED ITEMS	2,063,293	2,002,012
INTEREST INCOME	1,721	-
OTHER EXPENSES:		
Interest on long-term debt	687,729	725,686
Other interest	63,490	50,290
Amortization of financing costs	27,626	27,312
Amortization and amortization of fixed assets	632,377	554,199
Amortization of opening and establishment costs	63,600	49,889
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	1,474,822	1,407,376
INCOME TAXES	590,192	594,636
Currently payable	279,433	256,453
Deferred	279,433	256,453
EARNINGS BEFORE MINORITY INTEREST	310,759	338,183
INTEREST OF MINORITY SHAREHOLDERS IN LOSS OF SUBSIDIARY	(50,291)	(419)
NET EARNINGS FOR THE PERIOD	\$ 361,050	\$ 338,602
NET EARNINGS PER SHARE	.16¢	.15¢

#### FIRST HALF SOURCE AND APPLICATION OF FUNDS

	1974	1973
SOURCE OF FUNDS:		
Net earnings for the period	\$ 361,050	\$ 338,602
Add charges not requiring outlay of funds:		
Depreciation and amortization of fixed assets	632,377	554,199
Amortization of deferred costs	91,226	77,201
Deferred income taxes	279,433	256,453
Interest of minority shareholders in loss of subsidiary	(50,291)	(419)
Funds provided from operations	1,313,795	1,226,036
Proceeds of issue of long-term debt	4,842,074	925,000
Sundry	2,118	2,118
Total funds provided	6,155,869	2,153,154
APPLICATION OF FUNDS:		
Fixed asset additions (net)	5,112,851	1,417,410
Long-term debt repayments:		
Scheduled repayments	243,892	275,498
Refinancing	700,000	-
Dividends on common shares	168,000	168,000
Financing costs	6,275	-
Opening and establishment costs	206,917	142,458
Organization expenses	-	-
Development costs of proposed projects	38,184	32,889
Loans receivable	3,963	3,283
Sundry	(1,193)	1,250
Total funds applied	6,478,889	2,040,788
DECREASE (INCREASE) IN WORKING CAPITAL DEFICIENCY (exclusive of changes in long-term debt due within one year)	\$ (323,020)	\$ 112,366
FUNDS FROM OPERATIONS PER SHARE	.59¢	.55¢



# SKYLINE HOTELS LIMITED

and subsidiaries

## ANNUAL REPORT 1974

### THE SKYLINE GROUP

#### CANADA

SKYLINE HOTELS LIMITED  
SKYLINE HOTELS (MONTREAL) LIMITED

#### ENGLAND

SKYLINE HOTELS INTERNATIONAL LIMITED  
SKYLINE HOTELS (LONDON) LIMITED

#### JAMAICA

SKYLINE HOTELS (CARIBBEAN) LIMITED



### FINANCIAL HIGHLIGHTS YEAR ENDING DECEMBER 31, 1974 WITH 1973 COMPARISONS

	1974	1973	% change
Gross revenue .....	\$30,781,551	\$26,797,203	+15%
Earnings after current income taxes payable ..	\$ 844,848	\$ 975,039	-13%
Per Share .....	38¢	44¢	
Net Earnings .....	\$ 551,822	\$ 613,613	-10%
Per Share .....	25¢	27¢	
Cash flow from operations .....	\$ 2,361,868	\$ 2,219,766	+ 6%
Per Share .....	\$ 1.05	99¢	
Number of shares outstanding .....	2,252,530*	2,240,000	

\*Weighted average number of common shares outstanding during year

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## TO THE SHAREHOLDERS

Your company during 1974 has gone through periods of inconsistent economic conditions. We were faced in the first five months with the three day week and the energy crisis in the United Kingdom, and during the latter part of the year, the recession in the United States, which had such a great effect on the travelling public in Canada.

Your sales for the period were up over the previous year, however, the cost of operations increased at even a greater pace.

Despite all this we have been able to obtain a profit of .25¢ per share against .27¢ in 1973. However, most significant, is that our cash flow has increased from .99¢ per share to \$1.05 per share.

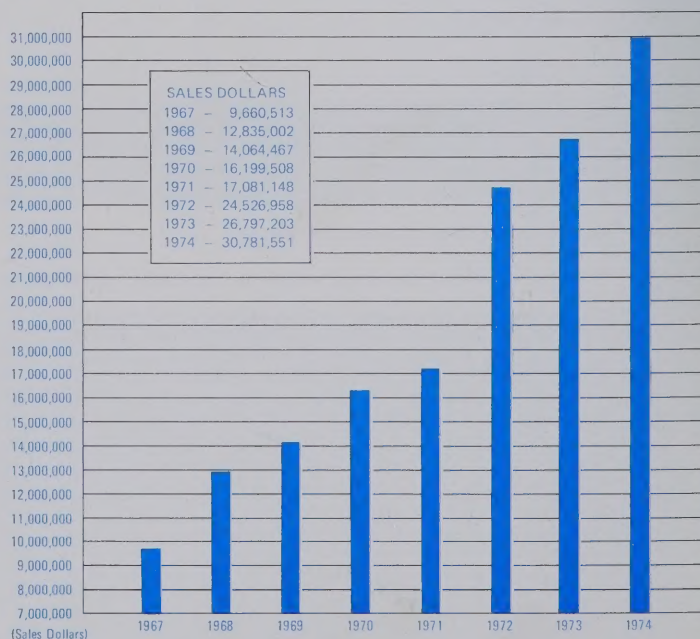
During 1974, your company entered into a management contract in Panama on the understanding that the Panamanian group would be spending approximately \$33,000,000 on renovation of the existing facilities and construction of a substantial addition. These funds did not become available and the standards of the hotel were not in keeping with the Skyline tradition. After considerable problems throughout the year, it was the decision of management to withdraw from this project. Your company had substantial costs involved in the setting up of this contract and these have been completely written off as an operating expense in the year 1974.

The Federal Government's discriminatory 10% surcharge imposed on certain industries had an effect of approximately \$33,000 on your bottom line profit.

All the construction projects of the company are now completed, including the Toronto Tower extension and your management does not intend to enter into any major projects until the present economic situation shows some definite signs of recovery.



## SALES





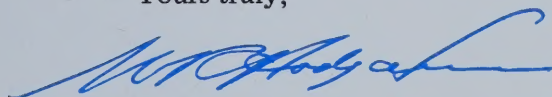
On the brighter side, we have entered into a long term management contract to operate the South Ocean Beach Hotel & Country Club for Mr. E. P. Taylor and The New Providence Development Company Limited in Nassau. This is a new structure and we are very pleased to have been able to add it to our chain.

A recent appraisal of your Toronto Hotel has been made by Chaffe, MacKenzie & Ray in the amount of \$32,000,000. The indebtedness against this property is approximately \$12,000,000 and it is the intention of management to re-finance its short term debt into long term financing against this asset.

In summing up, I feel the most significant accomplishment of the year despite certain adverse conditions is the ability of your company to continue the increase in cash flow which is really the barometer of our industry.

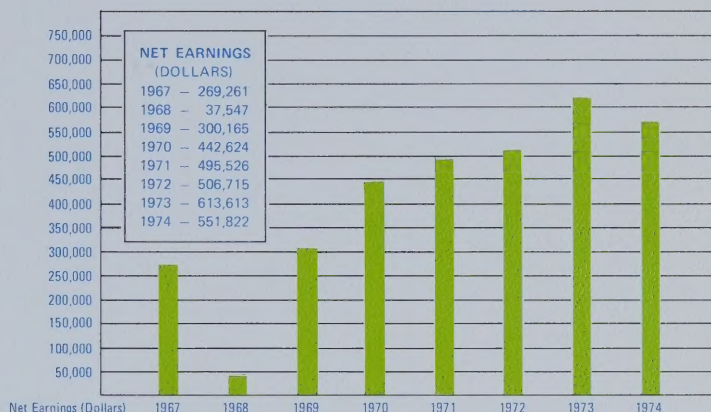
May I thank you for your continued support. I remain,

Yours truly,

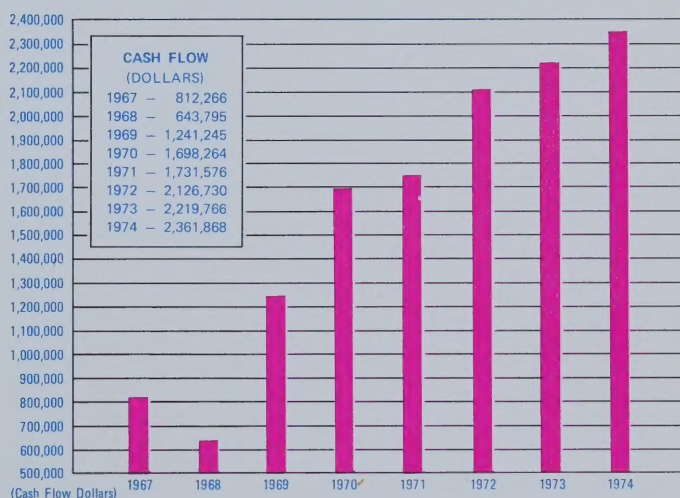


W. R. Hodgson,  
President.

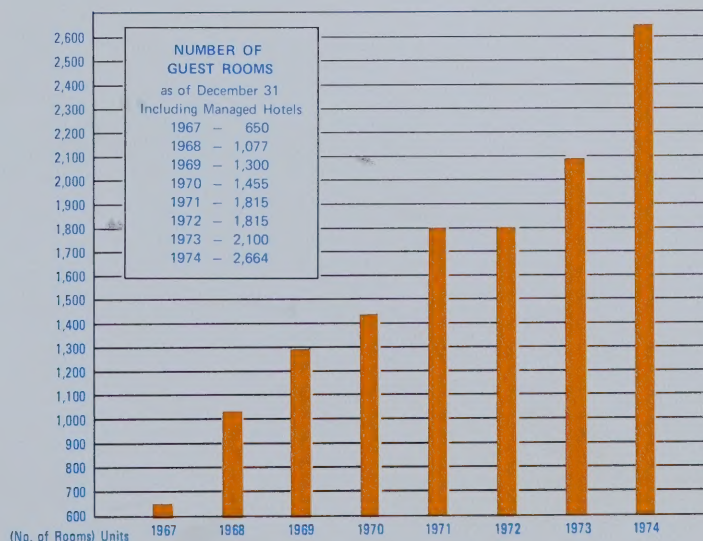
## NET EARNINGS



## CASH FLOW



## GUEST ROOMS





# SKYLINE HOTELS LIMITED

(Under the Business Corporations Act, Ontario)

## CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1974

(with 1973 figures for comparison)

### ASSETS

	1974	1973
<b>CURRENT ASSETS:</b>		
Cash .....	\$ 108,507	\$ 50,956
Accounts receivable .....	2,448,039	2,216,211
Inventories — at cost .....	747,727	611,892
Prepaid expenses and sundry assets .....	493,753	380,371
Total current assets .....	<u>3,798,026</u>	<u>3,259,430</u>
 <b>FIXED ASSETS (Notes 1 and 2) .....</b>	 <u>35,292,915</u>	 <u>26,701,562</u>
 <b>DEFERRED COSTS (Note 1):</b>		
Development costs of proposed projects .....	98,247	121,707
Unamortized opening and establishment costs .....	1,247,898	976,401
Unamortized financing costs .....	286,604	287,870
Total deferred costs .....	<u>1,632,749</u>	<u>1,385,978</u>
 <b>OTHER ASSETS:</b>		
Loans receivable (Note 8) .....	271,032	55,552
Organization expenses .....	65,703	65,703
Total other assets .....	<u>336,735</u>	<u>121,255</u>
 <b>TOTAL .....</b>	 <u><u>\$41,060,425</u></u>	 <u><u>\$31,468,225</u></u>

Approved by the Board:

W. R. Hodgson, Director

C. A. McKechnie, Director

### AUDITORS' REPORT

To the Shareholders of Skyline Hotels Limited:

We have examined the consolidated balance sheet of Skyline Hotels Limited and its subsidiaries as at December 31, 1974 and the consolidated statements of earnings, surplus and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.



# SKYLINE HOTELS LIMITED

(Under the Business Corporations Act, Ontario)

## CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1974

(with 1973 figures for comparison)

### LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:	1974	1973
Bank indebtedness (Note 3) .....	\$ 2,537,191	\$ 989,824
Accounts payable and accrued liabilities:		
Trade .....	4,257,669	3,476,682
Construction .....	1,011,374	789,907
Income taxes payable .....	93,220	155,730
Dividend payable .....	173,639	168,000
Long-term debt due within one year .....	1,176,229	627,927
Total current liabilities .....	9,249,322	6,208,070
LONG-TERM DEBT (Notes 3 and 4) .....	23,063,439	17,214,927
DEFERRED INCOME TAXES (Notes 1 and 5) .....	1,947,856	1,560,166
MINORITY INTEREST IN SUBSIDIARY (Note 6) .....	885,642	980,306
SHAREHOLDERS' EQUITY:		
Capital stock (Note 7):		
Authorized:		
6,000,000 common shares without par value		
Issued and fully paid:		
2,315,180 shares (1973 — 2,240,000) .....	2,951,257	2,752,030
Surplus .....	2,962,909	2,752,726
Total shareholders' equity .....	5,914,166	5,504,756
TOTAL .....	\$41,060,425	\$31,468,225

The accompanying notes are an integral part of these consolidated financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada, April 30, 1975.

DELOITTE, HASKINS & SELLS Chartered Accountants



SKYLINE HOTELS LIMITED  
CONSOLIDATED STATEMENT OF SURPLUS  
For The Year Ended December 31, 1974  
*(with 1973 figures for comparison)*

	1974	1973
RETAINED EARNINGS AT BEGINNING OF THE YEAR . . . . .	\$2,638,410	\$2,378,972
NET EARNINGS FOR THE YEAR . . . . .	551,822	613,613
	<u>3,190,232</u>	<u>2,992,585</u>
DEDUCT:		
Dividends . . . . .	341,639	336,000
Goodwill written off . . . . .	—	18,175
	<u>341,639</u>	<u>354,175</u>
RETAINED EARNINGS AT END OF THE YEAR . . . . .	2,848,593	2,638,410
CONTRIBUTED SURPLUS (no change during the year) . . . . .	114,316	114,316
SURPLUS AT END OF THE YEAR . . . . .	<u>\$2,962,909</u>	<u>\$2,752,726</u>

*The accompanying notes are an integral part of these consolidated financial statements.*



SKYLINE HOTELS LIMITED  
CONSOLIDATED STATEMENT OF EARNINGS  
For The Year Ended December 31, 1974  
*(with 1973 figures for comparison)*

	1974	1973
REVENUE .....	\$30,781,551	\$26,797,203
COST OF SALES AND OPERATING EXPENSES .....	26,685,691	22,827,159
EARNINGS BEFORE THE UNDERNOTED ITEMS .....	4,095,860	3,970,044
INTEREST INCOME .....	5,461	—
	<u>4,101,321</u>	<u>3,970,044</u>
OTHER EXPENSES:		
Interest on long-term debt .....	1,516,240	1,492,068
Other interest .....	172,400	97,505
Amortization of financing costs (Note 1) .....	47,508	59,405
Depreciation and amortization of fixed assets (Note 1) .....	1,282,582	1,081,937
Amortization of opening and establishment costs (Note 1) .....	186,930	103,385
	<u>3,205,660</u>	<u>2,834,300</u>
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST .....	895,661	1,135,744
INCOME TAXES (Notes 1 and 5):		
Currently payable .....	50,813	160,705
Deferred .....	387,690	392,930
	<u>438,503</u>	<u>553,635</u>
EARNINGS BEFORE MINORITY INTEREST .....	457,158	582,109
INTEREST OF MINORITY SHAREHOLDERS IN LOSS OF SUBSIDIARY .....	(94,664)	(31,504)
NET EARNINGS FOR THE YEAR .....	<u>\$ 551,822</u>	<u>\$ 613,613</u>
EARNINGS PER SHARE (Note 12) .....	<u>25¢</u>	<u>27¢</u>

*The accompanying notes are an integral part of these consolidated financial statements.*



# SKYLINE HOTELS LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For The Year Ended December 31, 1974

(with 1973 figures for comparison)

	1974	1973
<b>SOURCE OF FUNDS:</b>		
Net earnings for the year . . . . .	\$ 551,822	\$ 613,613
Add charges (credits) not affecting funds:		
Depreciation and amortization of fixed assets . . . . .	1,282,582	1,081,937
Amortization of deferred costs . . . . .	234,438	162,790
Deferred income taxes . . . . .	387,690	392,930
Interest of minority shareholders in loss of subsidiary . . . . .	(94,664)	(31,504)
Funds provided from operations . . . . .	2,361,868	2,219,766
Proceeds from issue of shares . . . . .	199,227	—
Proceeds of issue of long-term debt . . . . .	7,652,131	4,152,800
Total funds provided . . . . .	10,213,226	6,372,566
<b>APPLICATION OF FUNDS:</b>		
Fixed asset additions, less disposals of \$52,744 (1973 — \$13,528) . . . . .	9,906,492	5,821,640
Long-term debt repayments . . . . .	1,255,317	597,137
Dividends on common shares . . . . .	341,639	336,000
Financing costs . . . . .	46,240	3,965
Opening and establishment costs . . . . .	402,412	395,377
Development costs of proposed projects . . . . .	—	22,170
Loans receivable . . . . .	215,480	(1,304)
Total funds applied . . . . .	12,167,580	7,174,985
<b>INCREASE IN WORKING CAPITAL DEFICIENCY</b> (exclusive of changes in long-term debt due within one year) . . . . .	\$ 1,954,354	\$ 802,419
<b>CASH FLOW FROM OPERATIONS PER SHARE (Note 12) . . . . .</b>	<u>\$ 1.05</u>	<u>\$ .99</u>

The accompanying notes are an integral part of these consolidated financial statements.



# SKYLINE HOTELS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### December 31, 1974

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### Basis of consolidation:

The consolidated financial statements include the accounts of the company and its subsidiaries (adjusted where necessary to conform with the company's accounting policies) after elimination of inter-company balances and transactions.

##### Foreign currencies:

In the accompanying consolidated financial statements foreign currencies have been translated on the following bases:

- Current assets and liabilities — exchange rates in effect at the year end;
- Non-current assets and liabilities — historical exchange rates;
- Income and expenses — average exchange rates during the year, except for depreciation and amortization which have been translated on the same basis as the related assets.

##### Deferred costs:

##### a) Development costs of proposed projects:

These costs represent investigation costs, legal fees and other expenses in connection with the development of specific projects currently under consideration. These costs will be added to the cost of project fixed assets, deferred as opening and establishment costs or written off as appropriate.

##### b) Opening and establishment costs:

The operating results of new hotels (or major additions) and catering facilities are included under the deferred category of opening and establishment costs until the facility is fully operative or until receipt of a completion certificate from the project architects. In no event is this period to exceed ninety days from the first day of commencement of business. The opening and establishment costs are amortized over a ten-year period commencing on the date the new facility is considered fully operative, or at the end of the ninety-day period, whichever is the earlier.

##### c) Financing costs:

Financing costs, which relate to long-term debt, are amortized in equal annual instalments over the terms of the respective debt issues.

##### Fixed assets:

In respect of new hotels and major additions to existing facilities the company follows the policy of capitalizing interest for the construction period and for the opening and establishment period, during which operating results are deferred. In no event is this period to exceed ninety days from the first day of commencement of business. The company does not commence depreciation of new facilities until the opening and establishment period has expired.

Depreciation and amortization are determined under the straight-line method at the following annual rates:

Buildings .....	1-2/3%
Paving .....	7%
Equipment and sundry .....	7-1/2% to 10%
Leasehold interest and improvements .....	Term of lease (including in certain instances term of renewal)



## Tableware, linen and uniforms:

A basic stock of tableware, linen and uniforms is included in fixed assets in respect of each facility in operation. Replacements are expensed when placed in service. Tableware, linen and uniforms purchased as reserve stock are valued at cost and included in prepaid expenses.

## Income taxes:

The companies adopted the tax allocation basis of accounting for income taxes in 1970, but did not retroactively adjust their accounts for 1969 and prior years. Under the tax allocation basis income taxes are provided in the year transactions affect net income regardless of when such transactions are recognized for tax purposes. Timing differences giving rise to deferred income taxes relate primarily to claiming capital cost allowances and deferred costs for income tax purposes in excess of depreciation and amortization charged in the financial statements.

## 2. FIXED ASSETS

Fixed assets and accumulated depreciation and amortization at December 31 are as follows:

	1974			1973
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
Land .....	\$ 1,566,049	\$ —	\$ 1,566,049	\$ 1,584,299
Paving .....	506,780	156,481	350,299	353,735
Buildings .....	19,324,148	1,709,609	17,614,539	11,984,782
Equipment and sundry .....	10,027,311	2,935,306	7,092,005	5,578,224
Leasehold interest and improvements .....	8,095,633	504,459	7,591,174	6,164,137
	<u>\$39,519,921</u>	<u>\$5,305,855</u>	<u>34,214,066</u>	<u>25,665,177</u>
Tableware, linen and uniforms – at cost .....			1,078,849	1,036,385
			<u>\$35,292,915</u>	<u>\$26,701,562</u>

Fixed asset additions during the year include interest expenditures in the amount of \$880,000 which have been capitalized in accordance with company policy.

## 3. ASSETS PLEDGED

The company's bank indebtedness, including the bank term loans referred to in Note 4, is collaterally secured by general assignment of book debts and a second charge on the Toronto hotel property.

## 4. LONG-TERM DEBT

Long-term debt consists of:

	1974	1973
First mortgage, 9.5%, due 1982, secured by the Toronto hotel property .....	\$11,894,000	\$12,158,000
Bank term loans:		
Canadian Dollar loans at interest rates approximately 2% above the bank prime rate .....	4,500,000	2,733,344
U.S. Dollar loans at interest rates of 2% per annum above the six month London Inter-Bank Euro Dollar offer rate .....	6,913,655	1,999,765
Chattel mortgage, 12.5%, due 1976 .....	175,400	255,526
Instalment contracts secured by retention of title to equipment .....	236,382	121,269
Shareholder's loan, 10%, due 1977 .....	498,580	553,035
Sundry (secured) .....	21,651	21,915
	<u>24,239,668</u>	<u>17,842,854</u>
Less amount due within one year .....	1,176,229	627,927
	<u>\$23,063,439</u>	<u>\$17,214,927</u>



Principal payments on long-term debt fall due as follows:

1976 .....	\$ 750,923
1977 .....	11,297,432
1978 .....	415,197
1979 .....	427,887
1980 .....	450,000
1981 and thereafter .....	9,722,000
	<u>\$23,063,439</u>

## 5. INCOME TAXES

As at December 31, 1974, the cumulative amount of unrecorded deferred tax credits aggregates \$857,520.

A subsidiary of the company is entitled to the benefits of a ten-year tax holiday until 1980 under Jamaican incentive legislation.

## 6. MINORITY INTEREST IN SUBSIDIARY

In lieu of investment by way of equity, the minority shareholder of Skyline Hotels (London) Limited advanced monies to the subsidiary by way of unsecured loans, which have no due date. The minority interest in subsidiary included in the consolidated balance sheet is comprised of the following:

Unsecured loans .....	\$1,007,655
Less share of net capital deficiency of the subsidiary .....	122,013
	<u>\$ 885,642</u>

Subsequent to the year-end, the company completed negotiations for the acquisition of the minority interest in Skyline Hotels (London) Limited (see Note 13).

## 7. CAPITAL STOCK

During the year under the employee stock purchase plan, the company issued, as fully paid, 75,180 treasury shares for a total consideration of \$199,227.

## 8. STATUTORY INFORMATION

- The aggregate direct remuneration paid by the company and its subsidiaries to the directors and senior officers of the company for 1974 was \$167,123 (1973 — \$156,098).
- During the year the company authorized an employee stock purchase plan to enable senior employees to utilize corporate funds for the purchase of treasury shares of the company. Loans under the plan in 1974 in the aggregate amount of \$199,227 are included in other assets in the accompanying consolidated balance sheet. These loans are repayable without interest over a seven-year period commencing November, 1975.
- As at December 31, 1974, debts owing to the company by directors, officers and shareholders, exclusive of amounts loaned under the employee stock purchase plan, aggregated \$58,374.

## 9. LEASE COMMITMENTS

The company and its subsidiaries have contractual obligations in respect of long-term leases of hotel real estate and head office facilities having varying expiry dates from 1976 to 2027, some of which contain options to renew for further periods. The rentals incurred in respect of these obligations for the year ended December 31, 1974 aggregated \$2,231,282 (1973 — \$2,114,974). The minimum rentals (exclusive of escalation and percentage of sales adjustments) to be incurred in each of the years 1975 to 1982 aggregate approximately \$1,766,000.



#### 10. CONTINGENT LIABILITIES

- a) The company is the defendant in various actions, which it is contesting by way of counter claims, in respect of claims for fees of \$91,600 relating to development and other claims, which, in the opinion of management, are not material in relation to the company's financial position.
- b) The company is disputing the amount of Panamanian taxes payable for services rendered in 1974 under the management and technical services contracts for the El Panama Hotel in Panama City. Panamanian taxes payable, if any, qualify for foreign tax credits under the Canadian tax laws and accordingly should be substantially offset by a reduction in Canadian income taxes otherwise payable.

#### 11. BRITISH GOVERNMENT GRANT

A subsidiary, Skyline Hotels (London) Limited, has received the benefit of a British Government grant (\$899,640) which has been applied in the accounts in reduction of the related fixed assets and hotel establishment costs. The conditions of the grant require that defined hotel facilities be maintained for a period of ten years, failing which a proportion of the grant may be reclaimed.

#### 12. EARNINGS AND CASH FLOW PER SHARE

Earnings per share and cash flow from operations per share have been calculated using the weighted average number of common shares outstanding during the year.

#### 13. SUBSEQUENT EVENTS AND FUTURE COMMITMENTS

- a) Subsequent to the year-end the company and its subsidiaries acquired the share and loan investments and agreed to acquire the long-term leasehold interest held by the minority shareholder of Skyline Hotels (London) Limited. Based on current rates of exchange, the acquisition of the leasehold interest will result in reduced rental costs of approximately \$140,000 per annum over the period to 1985. Thereafter, until the expiry of the lease in 2069, further rental costs reductions, not presently determinable, but expected to be not less than this amount, will be realized.
- b) During the year the company negotiated the termination of the management contract for the Skyline Hotel — Jamaica. The final termination payment falls due in 1975 and management fees are due to the company up to the date of termination.
- c) Subsequent to the year-end, the company agreed to the terms by which the management contract in respect of El Panama Hotel, Panama City was terminated. Costs, before income tax reduction, associated with the cancellation of this contract are estimated by management of the company to approximate \$113,000 and have been fully provided by a charge to operations in 1974.
- d) In early 1975 the company purchased the land and buildings relative to the Old Mill location for a cost of \$1,875,000. Financing for this expenditure was provided by a first mortgage on the property in the amount of \$2,200,000.
- e) After the year-end the company borrowed for operating purposes \$750,000 from the president of the company.
- f) Subsequent to the year-end the company entered into a long-term contract to manage a hotel and golf club facility in Nassau, Bahamas, commencing in early 1975.



# SKYLINE

## THE ENTERTAINING HOTELS



POOL

MONTREAL



HENRY VIII

TORONTO



TOP OF THE PARK

PARK TOWER-LONDON



INTERNATIONAL ROOM

TORONTO



DIAMOND LIL'S

TORONTO



HEALTH CLUB

TORONTO



THE OLD MILL DANCE PAVILION

TORONTO



PATIO CARIBE

LONDON



THE ENGLISH PUB

TORONTO



LE TRIANON

PARK TOWER-LONDON



THE COLONY ROOM

LONDON



THEATRE

TORONTO



